RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

IN THE

Supreme Court of the United States

OCTOBER TERM, 1972

No. 72-572

SCHOENLING BREWING CO., INC.,
an Ohio Corporation,

Petitioner,

v.

WURZBURGER HOFBRAU AKTIENGESELLSCHAFT,
a German joint stock company;
ORIGINAL BEER IMPORTING & DISTILLING CO.,
INC., a New York corporation,

Respondents.

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PRELIMINARY STATEMENT

This is a trademark and unfair competition case involving routine issues of infringement and secondary meaning. The German plaintiff is the owner of the registered trademarks WURZBURGER and WURZBURGER HOFBRAU which marks have been used to identify beers exported by it to this country for almost a century. Since 1950, plaintiff Original Beer Importing and Distributing Company has been the exclusive distributor of WURZBURGER Beer in the United States. Defendant and petitioner Schoenling Brewing Company operates a brewery in Cincinnati, Ohio, and sells its products in the Cincinnati tri-state marketing area.

In 1962, with knowledge of plaintiffs' WURZBURGER Beer, Schoenling began producing and selling a beer identi-

fied as "Old Wurzburger Type" or "Old Wurzburger Style." No other trademark was used and Schoenling did its best to create the impression that its product was imported without directly so stating. References to the local origin of "Old Wurzburger" were, in the words of the district court, "in lettering that would strain the reader's eyes" and "reminiscent of the last line in the oculist's office." (28)* In undertaking this blatant infringement, Schoenling must have assumed that the German plaintiff would sacrifice a local market rather than incur the effort and expense of litigation. If so, Schoenling miscalculated badly.

The district court made findings of fact and conclusions of law favorable to plaintiffs; specifically, that the Federal registrations were valid; that WURZBURGER and WURZBURGER HOFBRAU had acquired a secondary meaning identifying plaintiffs' beers; that these trademark rights had been infringed by Schoenling; that Schoenling had engaged in unfair competition under the common law of Ohio; and that Schoenling had failed to prove fraud in the acquisition of any trademark registrations and failed to prove any antitrust violations by plaintiffs. (20-39) The court of appeals affirmed the district court in all respects. (42-43) Twice Schoenling sought reconsideration by the court of appeals without success. (44-46) In its petition to this court, Schoenling raises the same factual allegations which decided adversely to it in the lower courts.

COUNTERSTATEMENT OF QUESTIONS PRESENTED

The questions asserted by petitioner are not the determinative issues either in this Court or in the lower courts. The following issues were resolved in plaintiffs' favor at the trial and appellate level:

1. Whether the German plaintiff had trademark rights in the words WURZBURGER and WURZBURGER HOF-

* Page references are to the Petition for Certiorari.

BRAU for use on beer which predated defendant's use of "Old Wurzburger"?

2. Whether Schoenling's use of "Old Wurzburger" to identify its beer was likely to cause confusion on the part of consumers?

3. Whether Schoenling committed unfair competition by its use of "Old Wurzburger" and its advertising and promotional efforts?

4. Whether the German plaintiff had procured one of its trademark registrations by fraud?

5. Whether plaintiffs violated the antitrust laws by bringing the infringement suit against Schoenling or by any other actions?

These issues were resolved by the district court after hearing many witnesses, receiving several hundred exhibits and reading numerous depositions. Rule 52a was applicable and therefore the only question on appeal was whether the findings of the trial court were clearly erroneous under the test of *Zenith Corp.* v. *Hazeltine*, 395 U.S. 100, 123 (1969). The court of appeals concluded that all findings were supported by substantial evidence. This Court has expressed a clear disinclination "to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional showing of error." *Graver Tank & Mfg. Co.* v. *Linde Air Products*, 336 U.S. 271, 275 (1949).

COUNTERSTATEMENT OF THE CASE

The German plaintiff is the owner of Federal trademark registrations for WURZBURGER and WURZBURGER HOFBRAU. Both registrations were issued under Section 2(f) of the Lanham Act (15 USC Section 1052(f)) upon a showing satisfactory to the Patent Office that the names had become distinctive of the beer which it produced and exported to this country. Except for wartime restrictions and Prohibition, the German plaintiff has exported high quality and high priced beer to this country since about

1880. Since at least 1950 the German plaintiff and its U.S. distributor had a going business in the Cincinnati, Ohio, marketing area.

Commencing in about 1955 defendant Schoenling, a local brewery, began its efforts to develop a new formula which it hoped to sell at a premium over the price for local beers. When satisfied with the formula, Schoenling set about selecting the name. After considering several German names, Schoenling selected the name "Old Wurzburger" for the admitted reason that the name was thought to have good sales appeal in the Cincinnati area with its German traditions. To go along with the German name, Schoenling adopted German script and design. Schoenling was aware of plaintiffs' WURZBURGER Beer when it selected the name.

Schoenling sold its "Old Wurzburger" beer for a substantial premium over the price of its regular lager beer—far in excess of the additional costs involved.* As might be expected, the presence of two beers both bearing the trademark WURZBURGER in the same market led to wholesale confusion. This was compounded by the actions of some of Schoenling's retailer customers who followed its example and impliedly misrepresented "Old Wurzburger" beer as imported. This chaotic situation caused plaintiffs to lose a substantial part of their business in the Cincinnati area.

At trial Schoenling did not contest likelihood of confusion —the test for infringement under the Lanham Act (15 USC Section 1114) and the common law of Ohio. Instead Schoenling contested the validity of the WURZBURGER trademarks asserting that "Wurzburger" was a type designation recognized by the 1935 regulations issued under the Alcohol Administration Act. (27 CFR Section 7.24) This contention never got off the ground and the district

* Defendant's officers were quite candid about their efforts to capitalize on the German connotations. According to its chief executive: "There is more profit in anything you sell at a premium price if you get away with it." (tr. 172)

court made specific factual findings that there was no recognized type or style of beer known as a "Wurzburger Type" during the 1960's—whatever the situation might have been at the time the regulation was issued. Thus the court found the regulation to be unavailable as a defense.* This result was compelled because Schoenling's own witnesses conceded that no effort had been made to create a "Wurzburger Type" and that other German "type names" in the same regulation would have been equally appropriate.

Defendant also made the usual allegations of fraud on the patent office and antitrust violation. Most of these allegations were absurd on their face, *e.g.*, that a person not authorized under German law signed a trademark application; that the German plaintiff cosponsored an advertising sign in Germany with a German competitor; and that irregular label specimen submitted to the patent office. Some of these allegations appear again in the Petition. The district court reviewed these allegations and found that Schoenling failed in its proof on all affirmative defenses.

The district court enjoined Schoenling from further use of the word "Wurzburger" in connection with its beer and an accounting was ordered (40-41). Schoenling did not obtain a stay of the injunction and it has ceased its infringement. The accounting has not taken place due to Schoenling's appeals.

REASONS FOR DENYING THE WRIT

1. This Petition Presents No Special or Important Reason Warranting Review By This Court.

There is nothing in Schoenling's petition which even approaches a question of public importance as described in

* The same regulation lists "Bavarian" along with "Wurtzburger" (sic) and other German names. In *Anheuser-Busch* v. *Bavarian Brewing Co.*, 264 F. 2d 88 (6 Cir. 1959), trademark rights in "Bavarian" were sustained over the same argument now made by Schoenling. It is for this reason that Schoenling asks this court to express disapproval of the Bavarian case as well. (19).

Rule 19. If the case has any distinguishing characteristics they are to be found in the flagrancy of the infringement and the tenacity with which Schoenling has fought for the right to ruin plaintiffs' business and mislead the public. The case was decided on settled principles of Federal trademark law and the common law of Ohio. Because of the findings of infringement and unfair competition, the district court did not consider plaintiffs' alternative claim that defendant's use of the name "Wurzburger" with a German style and design constituted a false designation of geographic origin in violation of Section 43(a) of the Lanham Act. (15 USC Section 1125(a)). Just as there is no basis for upsetting the judgment of the lower courts, there is no reason to confirm it. The judgment of the lower courts does justice between the parties and this should be neither disturbed nor delayed.

2. The Lower Courts Applied The Correct Legal Standards To The Facts as Found From The Evidence.

The legal standards applicable to a trademark and unfair competition case are well settled. Likelihood of confusion is the test under both Federal and state law. The district court applied this test and found both likely confusion and actual confusion. Since it was employing a substantially identical trademark for similar goods, Schoenling never really contested this issue.

The validity of plaintiffs' trademarks was established by a finding of secondary meaning on essentially the same evidence which satisfied the patent office. The test under the statute (15 USC Section 1052(f)) and at common law is whether a name originally geographic or descriptive has acquired a secondary significance indicating the product of a particular seller. See *French Republic* v. *Sarasota Vichy Company*, 191 U.S. 427, 435 (1903) for recognition of this principle in connection with geographic names long prior to the Lanham Act.

The straw grasping nature of defendant's arguments is shown by the novel contention that secondary meaning in Cincinnati, Ohio is impossible because the name "Wurzburger" is in the public domain in Germany and used by two breweries in the City of Wurzburg.* This is just absurd.

Secondary meaning depends on public understanding of a word in a particular area. The fact that a word having foreign derivation is not associated with the goods of a single seller in the country of its origin does not mean that the same word cannot develop secondary meaning in this country through association with particular goods. The same argument made by defendant was rejected 50 years ago by Judge Learned Hand and the Court of Appeals for the Second Circuit. *LeBlume Import Co.* v. *Coty*, 293 Fed. 344, 350 (2 Cir. 1923). Trademark rights depend upon usage and even within national boundaries, such rights may exist in one area and not in other areas. *United Drug Co.* v. *Rectanus*, 248 U.S. 90 (1918).

Nothing in *Saxlehner* v. *Wagner*, 216 U.S. 375 (1910) supports defendant's position. The court of appeals pointed out the basic distinction—in the present case "Wurzburger" had acquired a secondary meaning as found by the district court and the patent office (46). Other important differences are that the defendant in *Saxlehner* openly identified its product as artificial and an imitation of the European product whereas Schoenling has done just the opposite in an effort to capitalize on the goodwill of plaintiffs' imported beer. There was no public deception in *Saxlehner* whereas Schoenling caused rampant confusion here. Finally, in *Saxlehner* there was a specific type of product which the defendant sought to reproduce. Here the district court found that there was no such thing as a "Wurzburger" type or style of beer.

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* Defendant flooded the record with examples of third party uses in Germany including the "W" page from the Lower Franconia Telephone Directory.

Defendant's fraud and antitrust contentions fall into the same category of desparation efforts to direct attention away from its own transgressions. These issues are fully covered in the district court's opinion and do not require elaboration. We would merely point out the absudity of Schoenling's contention that by suing it for infringement, plaintiffs attempted to obtain a "a monopoly of Wurzburger Type beer"—a product line which is nonexistent.

CONCLUSION

There are many cases in which the issue of infringement is a close one and the offending party acted in good faith. This is not such a case. There was nothing subtle or sophisticated about Schoenling's actions. They were taken with knowledge of plaintiffs' prior use of the WURZBURGER trademark for Beer and they had the foreseeable effect of ruining that business in the Cincinnati area. Even when its product had proved to be a commercial failure, Schoenling stubbornly refused to cease the infringement necessitating long and costly litigation. By its proliferate appeals, Schoenling continues its delaying tactics.

We submit that Schoenling has shown no reason for further review of this case and that every consideration dictates prompt denial of the petition so that plaintiffs may proceed with the long overdue accounting.

Respectfully submitted,

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